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STATE FOR IO/T, ISN/MNSA, ISN/RA
NA-243-GOOREVICH/OEHLBERT, BRUNNS; NA-241 O'CONNOR,
SIEMON; NA-21- CUMMINS, ILIOPULOS;
NE- MCGINNIS, PERKO, CLAPPER
NRC FOR OIP - DOANE, HENDERSON, SCHWARTZMAN
ROME FOR USFAO

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SUBJECT: IAEA: JUNE BOARD WRAP UP

Ref: a) UNVIE 279 b) UNVIE 281 c) UNVIE 286 d) UNVIE 289 e) UNVIE 293
f) UNVIE 292 g) SECSTATE 61320 h) UNVIE 253

11. (SBU) Despite Mission's efforts to improve the divisive atmosphere in the IAEA Board of Governors, a public row between Director General Elbaradei and Israel under the Syria agenda item detracted from this objective (ref d), as did continued divisions over the IAEA budget, which were likewise the subject of a direct intervention by ElBaradei (ref a). Among our highest priorities for the June Board was the discussion of nuclear fuel assurances, which was included for the first time as a formal agenda item. The Board agreed to continue consultations and discussions while the Secretariat further elaborates a conceptual framework for fuel bank proposals, thus laying the groundwork for future decisions (septel). On verification issues, the majority of Board members, with the notable exception of the NAM troika (Cuba, Egypt, Malaysia), seconded the Director General's call for Iranian and Syrian cooperation with respective IAEA investigations (refs c-e). There was universal condemnation on the part of the Director General and Board members of DPRK's nuclear test and support for UNSCR 1874 (ref f.) The discussion of the Safeguards Implementation Report registered general support for implementation of strengthened safeguards, including through the Additional Protocol and the state-level approach (septel). Under this agenda item, the U.S. and likeminded delegations called for continued cooperation by Egypt. Iraq, seconded by the U.S. (and Japan under Any Other Business), requested an agenda item for the September Board meeting on its safeguards compliance (septel). The Director General repeated his reservations about placing this issue on the agenda absent entry into force of an Additional Protocol.

12. (SBU) This cable covers remaining agenda items from the June Board, including the Annual Report, Technical Cooperation Report, General Conference agenda items, Designation of Board members, Appointment of the Director General and De-restriction of Board documents. The Board upheld the 1996 policy on de-restriction and the Board's existing authority to release documents. Under the respective agenda items, the Board released the SIR report summary and the DG's report on Iran, as has been the practice, but there was no consensus to release the Syria report (ref d). In addition, under Any Other Business, the U.S. and Netherlands highlighted the Global Initiative to Combat Nuclear Terrorism Plenary in The Hague and the role of the IAEA on nuclear security. End Summary.

Agenda Item 1: DG's Introductory Statement

13. (SBU) In addition to his introductory comments on Iran (ref e),

Syria (ref d), DPRK (ref f), assured supply (septel) and the budget (ref a), the Director General highlighted capacity building via the Technical Cooperation program in major areas including human health (the largest area), taking note of PACT support for Ghana in particular; food and agriculture and nuclear safety. Although the TC fund achieved a 94.7 percent rate of attainment (79.9 million USD), he noted the negative impact of the declining U.S. dollar and obstacles to implementation such as visa delays and denials of shipments. The Director General also welcomed the launch of the WHO-IAEA Joint Program on Cancer Control and announced that the FAO had withdrawn its notice of termination of the 45-year old FAO-IAEA Joint Division. The DG took note of the April 2008 Beijing Ministerial on nuclear energy at which he remarked no country had scaled back plans for nuclear power; thus, continued high demand for IAEA assistance should be expected. The Director General then mounted a strong defense of nuclear security as a core function of the Agency, noting that it would be "irresponsible and incomprehensible" for the IAEA to not have a robust, well funded and independent nuclear security program. With respect to nuclear verification, ElBaradei welcomed the conclusion of CSAs and Additional Protocols by Rwanda and Serbia but lamented that there were still 20 states with significant nuclear activities that have yet to bring into force an AP. He also noted that the Agency planned to complete installation of an Ultra-high sensitivity SIMS by 2010 and made a pitch for funding upgrades at the Safeguards Analytical Laboratory.

Agenda Item 2: Annual Report for 2008

¶4. (SBU) Most Member States making interventions on this agenda item commended the Secretariat for the format and quality of the Annual Report (GOV/2009/23) and the additional information, which highlighted major issues, challenges and emerging trends in the three pillars of nuclear technology, safety and security and verification. Member States welcomed IAEA activities related to the promotion of nuclear energy and energy assessment services; innovation in reactor and fuel cycle technologies; nuclear applications in the areas of food, agriculture, water and human health, including the treatment of cancer; ensuring the availability of radioisotopes; meeting the Millennium Development Goals; nuclear knowledge management and human capacity building; safety-related activities, including, radiation and transport safety/the issue of denial of shipments, decommissioning and waste management; as well as nuclear security and verification activities. Several member states also commented on the Agency's need for resources.

¶5. (SBU) Ambassador Schulte delivered a wide-ranging U.S. statement on transforming President Obama's vision articulated in Prague of a world free of nuclear weapons, strengthening the nonproliferation regime and combating nuclear terrorism into a "new spirit of Vienna." To realize this, Ambassador Schulte called for ensuring increased resources and authorities for the IAEA; continuation of investigations in Iran and Syria and support for denuclearization in the DPRK, establishment of nuclear fuel banks as part of a new framework for civil nuclear cooperation, and support for the IAEA nuclear security program. (Full text available at www.vienna.usmission.gov.)

¶5. (SBU) Argentina, on behalf of the Group of 77 and China, appreciated the work of the Agency in supporting nuclear power with more than 50 states planning to introduce nuclear power, as well as non-power activities, in particular, food and agriculture programs and the Program of Action for Cancer Therapy (PACT.) The Group also reiterated the importance of nuclear safety, commending the Agency for its work in the revision of international basic safety standards (BSS), and noting the results of an emergency exercise conducted in Mexico in July 2008, known as ConvEx-3. Bolivia, speaking on behalf of GRULAC likewise highlighted IAEA assistance with the expansion of nuclear power in the region, nuclear applications, and safety activities including radiation and transport safety/the issue of denial of shipments. GRULAC noted, in particular, IAEA programs related to development of nuclear infrastructure, review of Member States nuclear regulations, and establishing import-export guidance for radioactive sources. Finally, GRULAC noted it was pleased with the IAEA's broad TC program in 2008.

¶6. (SBU) Several other states, including developing countries such as Egypt and India, highlighted the growth of nuclear power and support rendered by the IAEA TC program. China applauded the Agency's nuclear energy promotional efforts and confirmed plans to increase its nuclear power generation to 25,300 MW. Uruguay heralded innovations in small and mid-size reactors to fulfill the demand for nuclear power, while others (including Russia, India, and France) specifically cited such efforts by INPRO. Nuclear safety and security was also the focus of many interventions. Speaking in its national capacity, Argentina noted IAEA programs on radiological protection and safety and security training. Ireland called for a greater emphasis on nuclear transport safety issues, and New Zealand was critical of the report's coverage of maritime transport safety, in particular. Noting the transit of nuclear materials via the Suez Canal, Egypt called for adherence to transport and liability guidelines. Speaking as non-Board members under Rule 50, Morocco also focused on nuclear safety and security, while the ROK linked the global increase in nuclear power to implementation of the 3Ss (safety, security, safeguards).

¶7. (SBU) Concerning safeguards, Algeria and Argentina were notably skeptical about the "disproportionate" focus in the Annual Report on implementation of the Additional Protocol. Argentina stressed the AP was voluntary and was concerned over the Agency's characterization of safeguards conclusions for states without Additional Protocols. Algeria saw the focus on APs as an "imbalance" that discounted efforts of states to live up to their CSAs, and called for implementation of NPT Revcon decisions on a NWFZ in the Middle East (Comment: Although Algeria has signed an AP, it seemed to echo Egypt's stance on linking adoption of an AP to progress on a NWFZ. End comment.) Egypt complained about the inability of the IAEA to apply safeguards in non-NPT parties and called for disarmament by nuclear weapons states.

¶8. (SBU) Also taking the floor under Rule 50, Israel delivered a short intervention asking for the deletion of para 17 on page 82 and para 81 on page 14 of the Annual Report (i.e. references to Israel's destruction of the Al Kibar site in Syria) as they did not conform to the Agency's standards and practices and were not based on evidence. No one responded to this intervention which left Arab delegations paging through the report. (Comment: According to the Israeli Ambassador, the basis for Israel's citation of IAEA "practices" is the DG's previous reluctance to explicitly name states other than the target state when reporting on verification-related investigations. End Comment) Israel delivered a similar intervention under the Safeguards Implementation Report agenda item before launching a wholesale offensive under the Syria item that prompted the DG's response (ref d).

Agenda Item 3: TC Report for 2008

¶9. (U) TC DDG Ana Mara Cetto summarized the Technical Cooperation Report for 2008 (GOV/2009/27), highlighting major areas of activity for the TCP in 2008, namely: health-related projects, food and agriculture initiatives, and nuclear safety, i.e. decommissioning of nuclear waste. Cetto noted the increasing interaction between the IAEA and other United Nations offices, and asserted that the effectiveness of TC projects increased substantially in 2008 because of closer linkages between recipient countries' requests and respective priorities as listed in Country Program Frameworks (CPFs).

¶10. (U) Canada and some G-77 countries expressed dissatisfaction with the geographic distribution of TC funds and called for a review of distribution. Canada noted that Europe receives the most funding even though most of its membership is developed. Spain considered the low percentage of TC funds for Latin America insufficient and was joined by Mexico in calling for more funding for the region. The Czech Republic, on behalf of the European Union, called for the redistribution of resources in order to support the most disadvantaged countries and regions. As usual, the G-77 reiterated its call for "sufficient, assured, and predictable" funding for TC activities. The U.S. and UK called on Member States to pay in full and on time any shares of the TCF or National Program Costs. Several Member States expressed concern about the lower rate of attainment in 2008 while many emphasized that the objective of the

rate of attainment mechanism is to reach 100 percent. China and Spain called on the Secretariat to protect TC funds from currency fluctuations while Switzerland went further to suggest TC funds be switched to a "more stable" currency than the U.S. dollar, but did not specify which currency. Egypt and Malaysia suggested that the extra-budgetary, voluntary nature of some TC funding is deleterious to the Program's effectiveness and joined the G-77 statement is calling for predictable funding.

¶11. (U) A number of G-77 countries and China took issue with DDG Cetto's announcement that CPFs would have to be modified every five years and are considered by the Division to be the guiding documents for a countries TC priorities. G-77 members and China argued that CPFs are not legally binding documents and Member States should not be forced to strictly adhere to them or update them on a regular basis. The EU called for CPFs to be made available to all Member States so potential donors could get a more detailed picture of a country's TC priorities. DDG Cetto did not comment on whether CPFs would be released in the future.

Agenda Item 7: Designation of Board Members

¶12. (U) Pursuant to Article VI.A.1, the Board of Governors approved by consensus the designation of 13 countries to serve as Board members for 2009-2010: Australia, Brazil, Canada, China, France, Germany, India, Japan, Russian Federation, South Africa, Switzerland (replacing Finland as part of the Western Europe rotation), the United Kingdom and the United States. Under Article VI.A.1, designated Board members are the most advanced in the technology of atomic energy in their respective geographic areas.

Agenda Item 8: Appointment of the DG

¶13. (U) The Board Chair took note of the results of May 25 informal straw poll for the DG race and informed the Board that none of the five candidates have withdrawn (including Belgian candidate Poncelet and Slovenian candidate Petric both of whom received no votes). A Special Session of the Board will be convened July 2-3 to conduct the formal vote, beginning with elimination rounds on the morning of July 2.

Agenda Item 9: Provisional GC Agenda

¶14. (SBU) The Director General consulted the Board of Governors on the Provisional Agenda for the 53rd IAEA General Conference in September. Only the United States made a short statement taking note of the agenda item on Application of Safeguards in the Middle East and encouraging a holistic approach to safeguards implementation and compliance in the region. The U.S. welcomed constructive consultations in the hopes of achieving consensus. Arab delegations were silent. The Arab Group can request the introduction of an additional agenda item on "Israeli Nuclear Capabilities" up to 30 days prior to the General Conference.

Agenda Item 10: GC/Representation of Other Organizations

¶15. (U) The Board approved by consensus three new requests for accreditation as observers to the 2009 General Conference on the part of the OPEC Fund for International Development, The Center for Nonproliferation Studies and the U.S. Civilian Research and Development Foundation, in addition to the previously accredited organizations listed in GOV/2009/21.

Agenda Item 11: De-restriction of Board Documents

¶16. (SBU) Cuba, speaking on behalf of the NAM, supported the maintenance of the two-year de-restriction policy for Board documents, approved by the Board in 1996 as per GOV/2009/25. The

NAM statement stipulated that the Board should only de-restrict a document before two years on an "exceptional" basis, and should do so only with the consent of the state or states discussed in the report. The NAM also expressed concern regarding the security of information provided by member states to the agency and agency documents published on the restricted GovAtom website. Cuba subsequently reiterated these points in a national capacity. The United States observed that the current policy has served the Board well and did not need to be altered, while reasserting the Board's authority to de-restrict documents earlier or later than the end of the normal two-year period. Canada seconded the U.S. position and stated that the policy should be adjusted on a case-by-case basis.

¶17. (SBU) The Board Chair's summary of this short debate reflected that the Board upheld the current policy and that any decision to de-restrict documents prior to the two year policy should be made on an "exceptional basis." The summary also noted that "several members" took the view that Board documents should be de-restricted prior to two years "only with the agreement of the country or countries concerned." Canada objected to this summary noting that some states did not want to grant the states concerned "veto power" over de-restriction of Board documents (Note: The NAM position reflects Syria's objection to release of the DG report on Syria. End Note.) Australia also requested that the summary reflect the fact that not all states supported early de-restriction only on an "exceptional basis." The Chair insisted (inaccurately) that Australia's view was reflected in the summary. Closing the debate, Iran stated that in order for a document to be balanced and fair, it must be made public. (Comment: The Board Chair and Secretariat had sought to shelve this agenda item, inserted by the NAM, with minimal debate and reaffirm existing policy. Since there was no resolution amending that policy, the Board's 1996 decision stands. End comment.)

Any Other Business

¶18. (U) Japan spoke under AOB in support of Iraq's request, seconded by the U.S. during the SIR report discussion, for an agenda item at the September Board on Iraq's safeguards compliance pursuant to UNSCR 707 (ref b). At the conclusion of the AOB statements, the Director General reiterated his view that this was an issue for the UN Security Council and that placing the issue on the agenda for September was premature given that Iraq has not brought its

Additional Protocol into force. Without an AP in force, the DG could not draw a broad conclusion as to the completeness of Iraq's declarations and the absence of undeclared nuclear material.

¶19. (U) The United States and The Netherlands, speaking under Rule 50, highlighted the Global Initiative to Combat Nuclear Terrorism (GCINT) Plenary being held at the Hague. The United States noted IAEA participation in GCINT and the IAEA's crucial role in promoting nuclear security best practices. The Netherlands noted its pledge of 250,000 Euros to the IAEA nuclear security fund made at the GINCT Plenary on June 16.

¶20. (U) Also under AOB, Canada updated the Board on the recent shut down of its medical isotope-producing reactor at Chalk River and the peer review of Canada's nuclear safety. Full information on the cause and implications of the reactor shut down will be unavailable until the ongoing investigation concludes, Canada noted. Canada added that the peer review group found Canada's Canadian Nuclear Safety Commission does an "effective job," and the Canadian government is now implementing the peer review recommendations.

¶21. (SBU) Finally, Serbia reported that on June 10 that the EU, Serbia, and Russia signed a nuclear energy cooperation agreement and that it is preparing to begin decommissioning work at Vinca in the fall and was testing relevant equipment. Serbia noted that technical cooperation assistance from the IAEA played a major role in facilitating these projects.

Senior Personnel

¶22. (SBU) In closed session during the Board meeting the Director General informally consulted Governors on the following appointments to senior positions:

-- Director, Division of Operations C, Department of Safeguards: Nobuhiro Muroya (Japan). The DG noted Muroya's long experience in safeguards matters and his strong reputation among peers (we agree).

-- Director, Division of Nuclear Power, Department of Nuclear Energy: Jong Kyun Park (ROK). Looking at the USDEL, ElBaradei noted that Park has studied in the U.S. then spent ten years working in a series of U.S. utilities.

-- Representative of the Director General to the UN and Director of the NY office, Office of External Relations and Policy Coordination: Geoffrey Shaw (Australia) (Note: Mr. Shaw, a respected interlocutor, was a former senior advisor to DG ElBaradei. End Note.)